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TO RUEHC/SECSTATE WASHDC PRIORITY 2560
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RUEHAD/AMEMBASSY ABU DHABI PRIORITY 2523
RUEHAS/AMEMBASSY ALGIERS PRIORITY 9240
RUEHAM/AMEMBASSY AMMAN PRIORITY 2590
RUEHAK/AMEMBASSY ANKARA PRIORITY 3326
RUEHLB/AMEMBASSY BEIRUT PRIORITY 2558
RUEHEG/AMEMBASSY CAIRO PRIORITY 0527
RUEHDM/AMEMBASSY DAMASCUS PRIORITY 3290
RUEHLO/AMEMBASSY LONDON PRIORITY 0163
RUEHFR/AMEMBASSY PARIS PRIORITY 0628
RUEHRB/AMEMBASSY RABAT PRIORITY 7223
RUEHRO/AMEMBASSY ROME PRIORITY 4645
RUEHRH/AMEMBASSY RIYADH PRIORITY 9558
RUEHTU/AMEMBASSY TUNIS PRIORITY 3722
RUCNDT/USMISSION USUN NEW YORK PRIORITY 5665
RUEHJM/AMCONSUL JERUSALEM PRIORITY 7538
RHMFISS/CDR USCENTCOM MACDILL AFB FL PRIORITY
RHMFISS/COMSOCEUR VAIHINGEN GE PRIORITY
RHMFIUU/COMSIXTHFLT PRIORITY

UNCLAS TEL AVIV 002338

SIPDIS

STATE FOR NEA, NEA/IPA, NEA/PPD

WHITE HOUSE FOR PRESS OFFICE, SIT ROOM
NSC FOR NEA STAFF

SECDEF WASHDC FOR USDP/ASD-PA/ASD-ISA
HQ USAF FOR XXXX
DA WASHDC FOR SASA
JOINT STAFF WASHDC FOR PA
CDR USCENTCOM MACDILL AFB FL FOR POLAD/USIA ADVISOR
COMSOCEUR VAIHINGEN GE FOR PAO/POLAD
COMSIXTHFLT FOR 019

JERUSALEM ALSO ICD
LONDON ALSO FOR HKANONA AND POL
PARIS ALSO FOR POL
ROME FOR MFO

SIPDIS
E.O. 12958: N/A
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SUBJECT: ISRAEL MEDIA REACTION

SUBJECTS COVERED IN THIS REPORT:

[1](#)1. US-Saudi Arms Deal

[1](#)2. Mideast

Key Stories in the Media:

The media reported on Sunday that the U.S. is prepared to increase

military aid to Israel to ease concerns over a proposed American weapons sale to Saudi Arabia. The media cited US newspapers as reporting that the proposed package of advanced weapons for Saudi Arabia will eventually total \$20 billion. According to the media the administration promised Israel \$30.4 billion in military aid over the next decade, a significant increase over the past 10 years.

Maariv reported that during his first visit as Quartet envoy, Tony Blair, already began putting together a plan. Together with Prime Minister Ehud Olmert, Blair intends to launch an Israeli-Palestinian economic initiative that will highlight the difference between Gaza and the West Bank. Olmert and Blair aim to combine the capital and capability of the Israeli economy with the cheap labor in the Palestinian Authority. They will encourage Israeli businessmen to set up joint enterprises in the West Bank and joint industrial zones located in border areas..

Ha'aretz reported that Israel has recently agreed to allow a group of 41 Iraqi refugees of Palestinian origin to reunite with relatives in the West Bank as a goodwill gesture to the government of Palestinian Prime Minister Salam Fayad. A request by another group of 10 refugees seeking to join their relatives in the Gaza Strip was denied.

The media reported on Sunday that Israel has agreed to allow Palestinians stranded in Egypt for weeks to pass into Israel and then into the Gaza. The media quoted government officials in Jerusalem as saying that the Palestinian would have to go through the Kerem Shalom crossing and undergo security checks before they enter Gaza. Hamas, which wrested control of the Gaza last month, denounced the deal since it allowed Israel to decide who could enter Gaza.

The Jerusalem post reported that PM Olmert is exploring the idea of allowing Jordanian forces, instead of NATO forces, into the West Bank to help the P.A. fight terrorists. According to the newspaper, the forces will not be the Badr Brigade but troops from the Jordanian army.

The Jerusalem Post reported that Israel is checking into reports that Russia plans to sell Iran 250 advanced long-range Skhoy-30 fighter jets in an unprecedented billion dollar deal.

The media reported that the cabinet approved the findings of the Brodet Commission for reforming security-related expenditures on Sunday. The media noted that the ministers postponed the recommendation to increase the defense budget by NIS 7 billion until at least 2009. The media described the fight over the defense budget between PM Olmert and Defense Minister Ehud Barak as a clash between the "two".

All media reported that the dollar continues to strengthen against the shekel. The media noted that the dollar has risen 10 percent against the shekel since the middle of May.

1. US-Saudi Arms Deal:

Summary:

Diplomatic correspondent Aluf Benn wrote in the independent, left-leaning Ha'aretz: "The Americans like to talk about democracy in the Arab world, but they believe that strengthening armies is the most efficient way to protect stability and maintain pro-Western regimes in the face of extremist Islam."

The conservative, independent Jerusalem Post editorialized: "It is hard to escape the impression that we are witnessing the return of a 'realist' US foreign policy that Bush spent the last six years working to discredit and displace.... Aside from the real dangers to Israel, a massive Saudi arms sale makes a mockery of Bush's own calls for the nations of the world to unequivocally take the side of freedom against that of jihadist Islam. That Bush was right, this Bush is wrong."

Defense and foreign affairs columnist Amir Oren wrote in the independent, left-leaning Ha'aretz: "To silence the pro-Israel

lobby's resistance to the [Saudi weapons] deal, Bush is willing to increase military aid to Israel. This way, everybody wins: The IDF replenishes supplies and receives extra funding, and Bush is portrayed as attentive to Israel's security needs."

Block Quotes:

I. "Is it a Cold War?"

Diplomatic correspondent Aluf Benn wrote in the independent, left-leaning Ha'aretz (07/29): "In the regional arena, the past two weeks have seen the establishment of two rival axes in the region, led by Iran and the U.S. Each sought to strengthen its supporters with diplomatic gestures and arms supplies - as was common practice during the Cold War. On the one hand, Iranian President Mahmoud Ahmadinejad visited Damascus and held high-profile meetings with Hezbollah, Hamas and Islamic Jihad leaders. On the other hand, the foreign ministers of Egypt and Jordan visited Israel and met political leaders across the board, carrying with them a moderate message.... The massive sale of arms to Saudi Arabia and its neighbors in the Gulf and the increase in military aid to Israel are the U.S. response to the Iranian threat, and the flow of arms from Russia to Iran and Syria. Each arms-supplying power has its own interests: the Russians want to deter the U.S. and Israel from bombing the Iranian nuclear facility - therefore, they have supplied the Iranians with advanced air defense. Such systems will also be supplied to Syria in the coming year. The Americans like to talk about democracy in the Arab world, but they believe that strengthening armies is the most efficient way to protect stability and maintain pro-Western regimes in the face of extremist Islam."

II. "Bush in Retreat"

The conservative, independent Jerusalem Post editorialized (07/30): "The US is considering a \$20 billion arms sale to Saudi Arabia and other Gulf states.... The arms sale will be a major topic of an upcoming swing through the region by Secretary of State Condoleezza Rice and Secretary of Defense Robert Gates.... The striking thing about the Saudi side of this deal is that it seems to reflect a Bush administration that is not just winding down, but winding backward.... Iran is the enemy, but this does not mean that Saudi Arabia is a friend. The Saudis embody everything the Bush administration claims to have been wrong with America's pre-9/11 policy: turning a blind eye to dictatorship and the fomenting of radical Islamist ideologies.... It is hard to escape the impression that we are witnessing the return of a 'realist' US foreign policy that Bush spent the last six years working to discredit and displace.... Aside from the real dangers to Israel, a massive Saudi arms sale makes a mockery of Bush's own calls for the nations of the world to unequivocally take the side of freedom against that of jihadist Islam. That Bush was right, this Bush is wrong."

III. "Everyone Wins"

Defense and foreign affairs columnist Amir Oren wrote in the independent, left-leaning Ha'aretz (07/29): "Israel may oppose U.S. President George W. Bush's planned arms sales to Saudi Arabia, but it lacks the ability to mount much effective resistance to the deal. According to the unwritten rule in such cases, Israel must not lose the battle altogether, and it must try to reach some sort of compromise, usually in the form of compensation. However, it is even more important that Israel does not win by completely thwarting Washington's weapons deal.... Israel opposes the deal because weapons sold to Arab countries that do not have peace agreements with Jerusalem may spill Israeli blood during the next military campaign. This, incidentally, applies also to Egypt, with whom Israel does have peace. Jerusalem, therefore, is very understandably concerned with the sale of the Jdam guidance kit -- which converts 'dumb bombs' into accurate, all-weather 'smart' munitions -- to Saudi Arabia.... To silence the pro-Israel lobby's resistance to the deal, Bush is willing to increase military aid to Israel. This way, everybody wins: The IDF replenishes supplies and receives extra funding, and Bush is portrayed as attentive to Israel's security needs. "

12. Mideast:

Summary:

Columnist Uzi Benziman wrote in the independent, left-leaning Ha'aretz: "If Olmert and his colleagues in power genuinely believe it is possible to bolster the Palestinian leadership -- do they not prove by this that Israel always needs tomorrow's enemy in order to compromise with today's foe?"

Columnist Gadi Taub wrote in the popular, pluralist Maariv: "Israel would have been unable to cope with an Arab minority that neared the Jewish majority in size, and certainly could not have coped with a situation in which the Jews became the minority.... All of the disadvantages posed by disengagement need to be weighed against that threat, which directly endangers the existence of Israel as a Jewish and democratic state."

Block Quotes:

I. "Making Peace with New Enemies"

Columnist Uzi Benziman wrote in the independent, left-leaning Ha'aretz (07/30): "Like the strong rains that have disrupted daily life in Britain in recent days, the barrage of gestures and peace offerings the Olmert government is heaping upon the government of Mahmoud Abbas and Salam Fayad makes one ponder the irony of the timing of the things that are happening. But, while the downpour in Britain is a natural phenomenon, the timing of Israel's diplomatic maneuvering is man-made and worth some analysis. Is Israel not closing the stable door after the horses have bolted?.... The concessions that Israel is dumping en masse on the Palestinian Authority, however welcome and positive they may be, make one wonder why they have been so long in coming.... This is not a pointless discussion. It touches on the question of whether Israel has missed the boat or, on the other hand, if it is taking action in the knowledge that what it is doing now is merely for the sake of show, since there is no power that can alter the situation that has emerged in the PA.... If Olmert and his colleagues in power genuinely believe it is possible to bolster the Palestinian leadership -- do they not prove by this that Israel always needs tomorrow's enemy in order to compromise with today's foe?"

II. "A Success, Nonetheless"

Columnist Gadi Taub wrote in the popular, pluralist Maariv (07/30): "Two years after Israel's unilateral withdrawal from Gaza, one can hear a lot of criticism about it that creates a negative impression, as if disengagement were a failure.... In the broader picture, in the strategic view of things, disengagement was not a failure. Disengagement was based on the fundamental recognition that the greatest danger to Zionism was Israel's deterioration into a binational situation, with a hostile population that was about to become larger than the Jewish population. Israel would have been unable to cope with an Arab minority that neared the Jewish majority in size, and certainly could not have coped with a situation in which the Jews became the minority.... All of the disadvantages posed by disengagement need to be weighed against that threat, which directly endangers the existence of Israel as a Jewish and democratic state. Therefore, when that is in the balance, Kassam rockets, the head of an arrogant terrorist organization that has reared its head, the pain of the evacuees, the bully tactics used by Sharon, peace and all the rest are of secondary importance. Since the task has not been completed yet, since it is possible that we will have no option but to withdraw unilaterally from Judea and Samaria as well, we had better bear in mind what is existential and what is not."

JONES